

THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND 21

TABLE 11.—Statement of transactions in public-debt securities for the disability insurance trust fund during the fiscal year 1961

[All amounts represent par values]

	Acquisitions	Dispositions
Public Issues:		
Treasury notes:		
2½-percent, series A, 1963.....	0	\$10,000,000
3½-percent, series C, 1962.....	0	7,000,000
4-percent, series B, 1963.....	0	5,000,000
Treasury bonds:		
2½-percent, 1967-72.....	\$1,500,000	0
3½-percent, 1990.....	6,000,000	0
3½-percent, 1998.....	3,500,000	0
3½-percent, 1967.....	10,000,000	0
3½-percent, 1968.....	3,750,000	0
4-percent, 1969.....	1,000,000	0
Total public issues.....	25,750,000	22,000,000
Public-debt obligations (special issues):¹		
Certificates of indebtedness:		
2½-percent, 1961.....	245,829,000	302,223,000
3½-percent, 1961.....	381,424,000	381,424,000
3½-percent, 1961.....	343,947,000	343,947,000
3½-percent, 1962.....	34,096,000	0
4-percent, 1961.....	87,885,000	87,885,000
Notes:		
2½-percent, 1961.....	0	37,500,000
2½-percent, 1961.....	0	63,000,000
3½-percent, 1963.....	19,389,000	0
3½-percent, 1964.....	19,389,000	0
3½-percent, 1965.....	19,389,000	0
3½-percent, 1966.....	19,389,000	0
Bonds:		
3½-percent, 1967.....	19,389,000	0
3½-percent, 1968.....	19,389,000	0
3½-percent, 1969.....	19,389,000	0
3½-percent, 1970.....	19,389,000	0
3½-percent, 1971.....	19,389,000	0
3½-percent, 1972.....	19,389,000	0
3½-percent, 1973.....	19,389,000	0
3½-percent, 1974.....	19,389,000	0
3½-percent, 1975.....	19,389,000	0
3½-percent, 1976.....	152,283,000	0
Total public-debt obligations.....	1,497,521,000	1,215,979,000
Total transactions.....	1,523,271,000	1,237,979,000

¹ All special issues—certificates, notes, and bonds—mature June 30 of the year shown.

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1961, TO DECEMBER 31, 1966

In the following statement of the expected operations and status of the trust funds during the period July 1, 1961, to December 31, 1966, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program remain unchanged throughout the period. The income and disbursements of the program, however, are affected by general economic conditions as well as by legislative provisions. Because it is difficult to foresee economic developments, the assumptions and the resulting estimates here presented are subject to some uncertainty. This statement of the expected operations of the trust funds should therefore be read with full recognition of the difficulties of estimating future trust fund income and disbursements under changing economic conditions.

Estimates are presented in table 12 to show the expected operations of the old-age and survivors insurance trust fund in fiscal years 1962-66. They are based on the assumption that economic activity will expand throughout the period, with employment and earnings increasing steadily through 1966. Figures on actual experience in

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earlier fiscal years are also presented. The increase in estimated income from contributions in fiscal years 1962-66 reflects the assumed upward trend in the levels of employment and earnings as well as the effect of the several scheduled increases in contribution rates, effective on January 1 of 1962, 1963, and 1966. Benefit disbursements increase because of the recent amendments and also because of the long-range upward trend in the number of beneficiaries under the program.

TABLE 12.—Operations of the old-age and survivors insurance trust fund, fiscal years 1937-66

[In millions]

Fiscal year	Transactions during period						Net increase in fund ⁴	Fund at end of period ⁴
	Income			Disbursements				
	Tax contributions ¹	Interest on investments ²	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses ³	Transfers to railroad retirement account		
Past experience:								
1937-61.....	\$84, 570	\$6, 597	\$15	\$67, 346	\$1, 910	\$1, 027	\$20, 900	\$20, 900
1941.....	688	56	-----	64	27	-----	653	2, 398
1942.....	896	71	-----	110	27	-----	830	3, 227
1943.....	1, 130	87	-----	149	27	-----	1, 041	4, 268
1944.....	1, 292	103	-----	185	33	-----	1, 178	5, 446
1945.....	1, 310	124	-----	240	27	-----	1, 167	6, 613
1946.....	1, 238	148	-----	321	37	-----	1, 028	7, 641
1947.....	1, 459	163	(⁵)	426	41	-----	1, 157	8, 798
1948.....	1, 616	191	1	512	47	-----	1, 248	10, 047
1949.....	1, 690	230	3	607	53	-----	1, 263	11, 310
1950.....	2, 106	257	4	727	67	-----	1, 583	12, 893
1951.....	3, 120	287	4	1, 498	70	-----	1, 843	14, 736
1952.....	3, 594	334	4	1, 982	85	-----	1, 864	16, 600
1953.....	4, 097	387	-----	2, 627	89	-----	1, 766	18, 366
1954.....	4, 589	451	-----	3, 276	89	-----	1, 676	20, 043
1955.....	5, 087	448	-----	4, 333	103	-----	1, 098	21, 141
1956.....	6, 442	495	-----	5, 361	124	-----	1, 452	22, 593
1957.....	6, 540	561	-----	6, 515	150	-----	436	23, 029
1958.....	7, 267	557	-----	7, 875	166	-----	-216	22, 813
1959.....	7, 565	540	-----	9, 049	206	121	-1, 271	21, 541
1960.....	9, 843	500	-----	10, 270	202	583	-712	20, 829
1961.....	11, 293	522	-----	11, 185	236	322	72	20, 900
Estimated future experience:								
1962.....	11, 620	513	-----	12, 625	254	330	-1, 076	19, 825
1963.....	13, 506	526	78	13, 538	257	365	-50	19, 774
1964.....	15, 290	547	156	14, 157	262	355	1, 219	20, 993
1965.....	15, 898	605	150	14, 658	269	345	1, 381	22, 374
1966.....	17, 477	691	142	15, 081	279	360	2, 590	24, 964

¹ Beginning December 1952, includes adjustment for refunds.

² Includes (1) net profits on marketable investments, (2) for fiscal years 1954-58, interest transferred from the railroad retirement account and, beginning in 1959, adjustment for interest transferred to the railroad retirement account, and (3) beginning in 1958, interest on administrative expenses reimbursed by the disability insurance trust fund.

³ Receipts from sale of surplus materials, services, etc., are deducted from gross administrative expenses. For fiscal years 1954-64, includes cost of construction of an office building for the Bureau of Old-Age and Survivors Insurance. Beginning fiscal year 1957, expenses incurred by the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund; reimbursements, including interest, are then made from the disability insurance trust fund in the following fiscal year.

⁴ Totals do not necessarily equal the sum of rounded components.

⁵ Less than \$500,000.

NOTE.—In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared in December 1961.

Aggregate income of the old-age and survivors insurance trust fund is expected to exceed aggregate outgo in the 5-year period

covering fiscal years 1962-66. During this period, there is an estimated net increase in the trust fund of \$4.1 billion.

Estimates consistent with those shown on a fiscal-year basis in table 12 are presented in table 13 to show the progress of the old-age and survivors insurance trust fund on a calendar-year basis. During calendar years 1961-62 the outgo of the trust fund is expected to exceed the income. With the tax rate increase scheduled to take place in 1963, total income is expected to exceed total disbursements and the upward trend in the size of the fund will be resumed.

Benefit disbursements will continue to increase over the next 5 calendar years as the number of beneficiaries under the program increases. Table 14 shows the annual amount of benefit payments distributed by classification of beneficiaries.

Benefit payments were 5.29 percent of taxable earnings for calendar year 1960. The percentage will continue to increase until 1964 when benefit expenditures will be 6.28 percent of taxable payrolls. The percentage will then decline somewhat in 1965 and 1966 as the effect of rising taxable earnings more than offsets the gradual long-term rise in the amount of benefit payments. Figures for each of the calendar years 1940-66 are shown in table 15.

TABLE 13.—Operations of the old-age and survivors insurance trust fund, calendar years 1937-66

[In millions]

Calendar year	Transactions during period						Net increase in fund	Fund at end of period
	Income			Disbursements				
	Tax contributions	Interest on investments	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
Past experience:								
1937-60.....	\$78,028	\$6,338	\$15	\$61,588	\$1,764	\$704	\$20,324	\$20,324
1941.....	789	56	-----	88	26	-----	731	2,762
1942.....	1,012	72	-----	131	28	-----	926	3,688
1943.....	1,239	88	-----	166	29	-----	1,132	4,820
1944.....	1,316	107	-----	209	29	-----	1,184	6,005
1945.....	1,285	134	-----	274	30	-----	1,116	7,121
1946.....	1,295	152	-----	378	40	-----	1,029	8,150
1947.....	1,557	164	1	466	46	-----	1,210	9,360
1948.....	1,685	281	3	556	51	-----	1,362	10,722
1949.....	1,666	146	4	667	54	-----	1,094	11,816
1950.....	2,667	257	4	961	61	-----	1,905	13,721
1951.....	3,363	417	4	1,885	81	-----	1,818	15,540
1952.....	3,819	365	-----	2,194	88	-----	1,902	17,442
1953.....	3,945	414	-----	3,006	88	-----	1,265	18,707
1954.....	5,163	498	-----	3,670	92	-----	1,869	20,579
1955.....	5,713	461	-----	4,968	119	-----	1,087	21,663
1956.....	6,172	531	-----	5,715	132	-----	856	22,519
1957.....	6,825	557	-----	7,347	162	-----	-126	22,393
1958.....	7,568	549	-----	8,327	194	121	-528	21,864
1959.....	8,052	525	-----	9,842	184	275	-1,724	20,141
1960.....	10,866	506	-----	10,677	203	308	184	20,324
Estimated future experience:								
1961.....	11,285	539	-----	11,862	239	322	-599	19,725
1962.....	12,167	619	78	13,194	252	330	-1,012	18,713
1963.....	14,601	536	166	13,857	256	365	815	19,528
1964.....	15,570	576	150	14,420	262	355	1,269	20,787
1965.....	16,130	648	142	14,887	269	345	1,419	22,206
1966.....	18,940	760	138	15,294	277	360	3,907	26,113

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 12.

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TABLE 14.—Old-age and survivors insurance benefit payments, distributed by classification of beneficiaries, calendar years 1940-66

[In millions]

Calendar year	Total benefit disbursements ¹	Disbursed to old-age beneficiaries	Disbursed to dependents of old-age beneficiaries	Disbursed to survivors of deceased insured workers			
				Monthly benefits			Lump-sum payments
				Total ¹	Aged widows, dependent widowers, and dependent parents	Widowed mothers, dependent divorced wives, and dependent children	
Past experience: ²							
1940.....	\$35.4	\$14.8	\$2.4	\$6.4	\$0.5	\$5.9	\$11.8
1941.....	88.1	43.6	7.6	23.6	2.7	20.9	13.3
1942.....	130.7	64.8	11.4	39.5	5.9	33.7	15.0
1943.....	165.9	79.1	13.9	55.2	9.9	45.2	17.8
1944.....	209.0	96.6	16.9	73.5	14.6	58.8	22.0
1945.....	273.9	125.8	22.3	99.6	21.0	78.6	26.1
1946.....	378.1	189.1	33.2	127.9	29.3	98.7	27.9
1947.....	466.2	244.7	42.9	149.1	38.3	110.8	29.5
1948.....	556.2	299.9	52.2	171.8	49.4	122.4	32.3
1949.....	667.2	372.9	64.5	196.6	62.2	134.3	33.2
1950.....	961.1	556.9	94.5	276.9	92.3	184.6	32.7
1951.....	1,885.2	1,134.9	186.1	506.8	164.5	342.3	57.3
1952.....	2,194.1	1,327.7	211.6	591.5	201.2	390.3	63.3
1953.....	3,006.3	1,884.2	291.1	743.5	260.2	483.4	87.5
1954.....	3,670.2	2,339.6	358.4	880.0	317.0	563.0	92.2
1955.....	4,968.2	3,252.9	494.9	1,107.5	412.2	695.4	112.9
1956.....	5,714.6	3,792.8	568.5	1,244.1	486.1	758.0	109.3
1957.....	7,347.3	4,888.4	799.4	1,520.7	671.7	849.0	138.8
1958.....	8,327.0	5,566.5	907.4	1,720.1	777.5	942.7	132.9
1959.....	9,841.6	6,548.0	1,059.0	2,063.3	946.1	1,117.2	171.3
1960.....	10,676.6	7,052.9	1,143.3	2,316.2	1,085.3	1,230.9	164.3
Estimated future experience:							
1961.....	11,862.0	7,803.0	1,229.0	2,654.0	1,261.0	1,393.0	176.0
1962.....	13,194.0	8,683.0	1,401.0	2,918.0	1,475.0	1,443.0	192.0
1963.....	13,857.0	9,078.0	1,459.0	3,116.0	1,594.0	1,522.0	204.0
1964.....	14,420.0	9,416.0	1,506.0	3,286.0	1,712.0	1,574.0	212.0
1965.....	14,887.0	9,691.0	1,535.0	3,443.0	1,828.0	1,615.0	218.0
1966.....	15,294.0	9,922.0	1,561.0	3,588.0	1,941.0	1,647.0	223.0

¹ Totals do not necessarily equal the sum of rounded components.

² Partly estimated.

TABLE 15.—Old-age and survivors insurance benefit payments as a percentage ¹ of taxable earnings, calendar years, 1940-66

Calendar year	Benefit payments as a percentage of taxable earnings	Calendar year	Benefit payments as a percentage of taxable earnings
Past experience:		Past experience—Continued	
1940.....	0.11	1954.....	2.83
1941.....	.21	1955.....	3.26
1942.....	.25	1956.....	3.48
1943.....	.27	1957.....	4.20
1944.....	.32	1958.....	² 4.77
1945.....	.44	1959.....	² 5.02
1946.....	.55	1960.....	² 5.29
1947.....	.59	Estimated future experience:	
1948.....	.66	1961.....	5.73
1949.....	.82	1962.....	6.14
1950.....	1.10	1963.....	6.26
1951.....	1.60	1964.....	6.28
1952.....	1.76	1965.....	6.27
1953.....	2.28	1966.....	6.18

¹ For years 1951 and later, percentage takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.

² Preliminary, subject to revision on complete tabulation of taxable self-employment earnings for 1958-60 and of taxable wages for 1959-60.

The growth in the number of beneficiaries in the past and the expected growth in the future is attributable in large measure to the rising number of aged workers eligible for and receiving old-age (primary) benefits. This is illustrated in table 16 which contains an analysis of workers aged 65 and over eligible for old-age (primary) benefits by age attained as of the beginning of each of the calendar years 1941 through 1966.

TABLE 16.—*Workers aged 65 and over eligible for and receiving old-age (primary) benefits, by attained age, calendar years 1941-66*

[Numbers in thousands]

Beginning of calendar year	All workers aged 65 and over			Workers aged 65-69			Workers aged 70 and over		
	Number eligible for benefits ¹	Persons receiving benefits		Number eligible for benefits ¹	Persons receiving benefits		Number eligible for benefits ¹	Persons receiving benefits	
		Number	Percent of number eligible		Number	Percent of number eligible		Number	Percent of number eligible
Past experience:									
1941.....	548	112	20	376	85	23	172	28	16
1942.....	680	200	29	445	134	30	235	66	28
1943.....	831	280	31	522	153	29	309	107	35
1944.....	1,016	306	30	608	158	26	408	151	37
1945.....	1,244	378	30	708	167	24	536	211	39
1946.....	1,469	518	35	805	212	26	664	306	46
1947.....	1,637	702	43	868	271	31	769	430	56
1948.....	1,813	875	48	930	325	35	883	550	62
1949.....	1,990	1,048	53	1,000	380	38	990	668	67
1950.....	2,164	1,286	59	1,069	474	44	1,095	812	74
1951.....	3,139	1,771	56	1,663	721	43	1,476	1,050	71
1952.....	3,504	2,278	65	1,825	942	52	1,679	1,337	80
1953.....	4,366	2,644	61	2,260	1,055	47	2,106	1,589	75
1954.....	4,786	3,222	67	2,418	1,300	54	2,368	1,922	81
1955.....	5,306	3,775	71	2,636	1,518	58	2,670	2,257	85
1956.....	5,879	4,474	76	2,821	1,744	62	3,058	2,729	89
1957.....	6,856	4,999	73	3,203	1,876	59	3,653	3,123	85
1958.....	7,538	5,931	79	3,448	2,257	65	4,090	3,675	90
1959 ²	8,009	6,608	83	3,579	2,475	69	4,430	4,133	93
1960.....	8,462	7,191	85	3,622	2,644	73	4,840	4,547	94
1961.....	8,962	7,704	86	3,764	2,795	74	5,198	4,909	94
Estimated future experience:									
1962.....	9,378	8,256	88	3,856	2,956	77	5,522	5,300	96
1963.....	9,747	8,870	91	3,909	3,163	81	5,838	5,707	98
1964.....	10,108	9,222	91	3,984	3,229	81	6,124	5,993	98
1965.....	10,486	9,587	91	4,097	3,326	81	6,389	6,261	98
1966.....	10,866	9,933	91	4,228	3,434	81	6,628	6,499	98

¹ Figures for 1941-61 are partly estimated. No adjustments have been made to reflect changes arising from (1) provisions that coordinate the old-age, survivors, and disability insurance and the railroad retirement programs, and (2) noncontributory wage credits for military service.

² Data are as of Dec. 1, 1958.

The growth in the number of eligible workers aged 65 and over was gradual but uninterrupted during the calendar years 1941 to 1949, inclusive. This growth resulted partly from the increase in the population at these attained ages, but primarily from the fact that in each passing year a larger proportion of the persons attaining age 65 had fully insured status.

The marked increase in the number of workers eligible for benefits in 1951 was due to the liberalized insured-status provisions of the 1950 amendments to the Social Security Act. Although the same factors that contributed before 1951 to the growth in the number of eligible persons aged 65 and over have continued to be operative after

1950, the amendments during the period 1950-61 which liberalized the insured-status provisions and extended coverage to new areas of employment have an even greater effect.

As is indicated in table 16, a considerable proportion of the workers aged 65 and over who were eligible for old-age (primary) benefits in the past remained in covered employment (or, if they left covered employment, later returned to it) and did not receive benefits. Since January 1, 1945, however, the proportion of eligible workers receiving retirement benefits has been increasing except for temporary halts due to special circumstances resulting from the amendments of 1950 and 1954. In general, due to the increasing percentage of eligibles aged 72 or over who receive benefits regardless of earnings, the upward trend in this proportion is expected to continue, although at a slower rate than in the past.

The expected operations and status of the disability insurance trust fund during the next 5 fiscal years are presented in table 17 together with the figures on actual experience in earlier years. Income of the disability insurance trust fund is expected to exceed outgo by a relatively small amount in each of the 5 fiscal years 1962-66. During this 5-year period, it is estimated that the disability insurance trust fund will increase by about \$82 million and will amount to \$2,586 million on June 30, 1966.

TABLE 17.—Operations of the disability insurance trust fund, fiscal years 1957-66

[In millions]

Fiscal year	Transactions during period						Fund at end of period ⁴	
	Income			Disbursements				
	Tax contributions ¹	Interest on investments ²	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses ³	Transfers to railroad retirement account		Net increase in fund ⁴
Past experience:								
1957-61.....	\$4,168	\$159	-----	\$1,740	\$103	-\$21	\$2,504	\$2,504
1957.....	337	1	-----		1	-----	337	337
1958.....	926	16	-----	168	12	-----	762	1,099
1959.....	895	33	-----	339	21	-----	568	1,667
1960.....	987	48	-----	528	32	-\$26	501	2,167
1961.....	1,022	60	-----	704	36	5	337	2,504
Estimated future experience:								
1962.....	1,036	67	-----	990	64	10	40	2,544
1963.....	1,089	72	1	1,073	65	10	14	2,559
1964.....	1,137	73	4	1,129	66	10	9	2,568
1965.....	1,186	75	6	1,182	67	10	8	2,576
1966.....	1,235	76	7	1,229	69	10	10	2,586

¹ Adjusted for refunds.

² Includes (1) net profits on marketable investments, (2) for fiscal year 1960, interest transferred from the railroad retirement account and, beginning in 1961, adjustment for interest transferred to the railroad retirement account, and (3) beginning in 1958, adjustment for interest on administrative expenses reimbursed to the old-age and survivors insurance trust fund.

³ Expenses of the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund; reimbursements, including interest, are then made from the disability insurance trust fund in the following fiscal year.

⁴ Totals do not necessarily equal the sum of rounded components.

NOTE.—Reference should be made to the text which describes the underlying assumptions and limitations. Estimates were prepared in December 1961.

TABLE 18.—Operations of the disability insurance trust fund, calendar years 1957-66
[In millions]

Calendar year	Transactions during period						Net increase in fund	Fund at end of period
	Income			Disbursements				
	Tax contributions	Interest on investments	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
Past experience:								
1957-60.....	\$3,568	\$127	-----	\$1,331	\$101	-\$26	\$2,289	\$2,289
1957.....	702	7	-----	57	3	-----	649	649
1958.....	966	25	-----	249	12	-----	729	1,379
1959.....	891	41	-----	457	50	-21	447	1,825
1960.....	1,010	53	-----	568	36	-5	404	2,289
Estimated future experience:								
1961.....	1,038	66	-----	887	64	5	148	2,437
1962.....	1,064	70	\$1	1,031	65	10	29	2,466
1963.....	1,110	72	4	1,101	66	10	9	2,475
1964.....	1,156	74	6	1,155	67	10	4	2,479
1965.....	1,204	76	7	1,204	69	10	4	2,483
1966.....	1,251	77	8	1,248	71	10	7	2,490

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 17.

Estimates consistent with those shown on a fiscal-year basis in table 17 are presented in table 18 to show the progress of the disability insurance trust fund on a calendar-year basis.

The total amount of benefit payments under the disability insurance program will continue to increase over the next 5 calendar years as the number of beneficiaries increases. Benefit expenditures as a percentage of payroll will also increase. Benefit payments were 0.28 percent of taxable earnings for calendar year 1960. It is estimated that, in 1961, benefit expenditures from the disability insurance trust fund will rise sharply, to 0.43 percent of payroll, as a result of removing the age 50 limitation. During 1962-66, benefit payments are expected to be about one-half percent of payroll. Figures for each of the calendar years 1957-66 are shown in table 19.

TABLE 19.—Disability insurance benefit payments as a percentage¹ of taxable earnings, calendar years 1957-66

Calendar year	Benefit payments as a percentage of taxable earnings	Calendar year	Benefit payments as a percentage of taxable earnings
Past experience:		Estimated future experience—Con.	
1957.....	0.03	1962.....	0.43
1958.....	1.14	1963.....	.50
1959.....	1.23	1964.....	.50
1960.....	1.28	1965.....	.51
Estimated future experience:		1966.....	.50
1961.....	.43		

¹ Takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.

² Preliminary, subject to revision on complete tabulation of taxable self-employment earnings for 1958-60 and of taxable wages for 1959-60.

Reference has been made in earlier sections to the financial interchanges between the railroad retirement account and the two trust funds under the provisions of the Railroad Retirement Act. The estimates shown in tables 12, 13, 17, and 18 reflect the effect of future financial interchanges.

Public Law 881, approved August 1, 1956, provides that the old-age and survivors insurance trust fund, and where appropriate the disability insurance trust fund, shall be reimbursed from general revenues for past and future expenditures resulting from the provisions that granted noncontributory \$160 monthly wage credits to persons who served in the Armed Forces at some time during the period September 16, 1940, through December 31, 1956, and from the provisions enacted in 1946 that granted survivor protection to certain World War II veterans for a period of 3 years after leaving service. The arrangements for annual reimbursements are based on the following plan: The total additional costs arising from payments during the period September 1950 through June 1960 are to be amortized in annual installments over a 7-year period, the first installment of which will be paid on July 1, 1962. The Budget of the U.S. Government for the fiscal year 1963 (p. 189) makes provision for this reimbursement. The additional costs arising from payments made after June 1960 will be repaid annually on a current basis, the first such repayment to be made on July 1, 1963. The estimates shown in the various tables in this section of the report reflect the effect of these reimbursements. A description of the legislative history of provisions relating to credit for military service, including the provisions for reimbursement for the additional costs arising from payments made before September 1950, is contained in appendix II.

As already indicated earlier in this section, forecasts of the income and disbursements of the trust funds involve many uncertainties. For that reason, estimates are presented in table 20 to show the effects on the operations and status of the old-age and survivors insurance trust fund in the unlikely event of a sharp reduction in the level of economic activity during calendar years 1962-66, with a relatively high rate of unemployment during the entire period. Under this assumption, contributions would be lower and benefit payments higher than estimated above under high employment conditions.

TABLE 20.—*Illustration showing the operations and status of the old-age and survivors insurance trust fund assuming the unlikely event of a sharply reduced level of economic activity, calendar years 1962-66*

[In millions]

Calendar year	Transactions during period						Net increase in fund	Fund at end of period
	Income			Disbursements				
	Tax contributions	Interest on investments	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
1962.....	\$11,584	\$504	\$78	\$13,387	\$264	\$330	-\$1,815	\$17,910
1963.....	12,795	463	156	14,330	267	375	-1,558	16,352
1964.....	12,550	387	150	15,024	270	390	-2,597	13,755
1965.....	12,410	328	142	15,416	275	400	-3,211	10,544
1966.....	14,124	313	138	15,675	284	435	-1,819	8,725

NOTE.—In interpreting the above estimates, reference should be made to the accompanying text which explains the underlying assumptions.

The lower the level of employment during the next 5 years, the larger will be the volume of benefit payments to retired workers and to their eligible dependents. Under the hypothetical lower employment conditions it is estimated that larger proportions of eligible workers would be obliged to leave employment, especially at ages 65-69. Hence, despite a slightly smaller number of eligible workers, the number receiving old-age (primary) benefits under this assumption would considerably exceed that under high employment conditions. Moreover, it is expected that the average old-age (primary) benefit amount payable would be larger inasmuch as many of the more steadily employed higher paid older workers, who would not withdraw from employment under the high employment conditions, would not be employed under these assumed conditions. The foregoing analysis also applies to insured workers aged 62-64.

On the other hand, the larger the volume of employment, the larger will be the number of workers who are insured under the program and therefore the larger will be the number of deaths which will give rise to valid claims for survivor benefits. While favorable opportunities for employment will operate to increase the number of new death claims, such a high employment situation will tend to have counterbalancing effects such as that of inducing many of the widows and older children eligible for survivor benefits to forgo them by working. Therefore, the amount paid out for survivor benefits over the short-range future will not be affected significantly by variations in economic conditions.

ACTUARIAL STATUS OF THE TRUST FUNDS

Old-age, survivors, and disability insurance benefit payments will increase for many years—not only in dollars but also as a percentage of taxable payroll. Long-range estimates are needed, therefore, to show how much the cost is likely to increase and to indicate whether the scheduled tax rates are adequate.

The cost of benefits to aged persons, which constitute almost 90 percent of the total cost, will rise for several reasons. The U.S. population will almost certainly become relatively much older on the average. A relatively older population will result because the present aged population is made up of the survivors from past periods when death rates were much higher than they are now. Also, after the turn of the century, the larger birth cohorts of the 1940's and 1950's will be attaining retirement age. Thus, in the future, relatively more persons, both in total and in each cohort, will attain age 65 and older ages.

The cost of the program is thus closely related to the ratio of the population aged 65 and over (potential beneficiaries) to the population aged 20-64 (potential contributors). At present, this ratio is 16.7 percent. In a stationary population resulting from present death rates the ratio would be 24.9 percent, but such a situation is not likely to occur within the next century. Ultimately it is expected that this ratio will become even greater because of decreases in mortality below present rates.

Another reason for the increasing cost is that the proportion of the aged population eligible for and receiving benefits will increase. Many of the present persons aged 65 and over were not in covered employment long enough to obtain benefits, or, in the case of widows, their husbands were not sufficiently long in covered employment. Although the system began in 1937, many jobs were not covered until 1951 or 1955. It is estimated that the proportion of the aged population eligible for some type of benefit under the system will increase from the present level of about 75 percent to between 92 and 97 percent by the end of the century.

Since the future cost of the old-age, survivors, and disability insurance program will be affected by many factors that are difficult to determine, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. The long-range cost estimates for the program as it was changed by the 1961 amendments (shown for 1970 and thereafter) are presented here on a range basis to indicate the plausible variation in future costs depending on the actual trends that develop for the various cost factors. Both the low- and high-cost estimates are based on high economic assumptions, intended to represent close to full employment, with average annual earnings at about the level prevailing in 1959. Each estimate provides data on payroll and contributions and on beneficiaries and benefit payments for every future year. The data are presented here for selected future years. All figures are assumed to remain constant after 2050.

It is considered likely, although by no means certain, that actual costs as a percentage of payroll will lie between the low-cost and high-cost figures. Also, a single estimate of costs is needed as a guide in considering proposed legislation and developing tax schedules intended to make the system self-supporting. For these reasons, an intermediate-cost estimate is prepared, in which numbers of beneficiaries, amount of benefit payments, and payrolls are taken halfway between the low-cost and high-cost figures. The intermediate percentage-of-payroll figures are obtained by dividing total benefit payments by taxable payroll, each on the intermediate basis, and are therefore not exactly equal to the average of low-cost and high-cost percentage-of-payroll figures.

Table A shows benefit payment costs for selected years and the level-premium cost, all expressed as percentages of payroll, under each of the three estimates. The level-premium cost is that constant combined employer-employee tax rate that, together with a tax on the self-employed at 75 percent of such combined rate, would exactly pay for all future benefits and administrative expenses, after making allowance for the effect of the existing trust fund and for future interest earnings. All percentage-of-payroll figures are adjusted so that they represent the tax rate that employees and employers combined, and the self-employed at three-quarters of the combined rate, would have to pay in any given year to meet exactly the disbursements in that year. Tables B and C show, for each set of estimates, the contributions, benefit payments, administrative expenses, amount paid to or received from the railroad retirement system, and the balance in the trust funds for selected years.

TABLE A.—*Estimated costs of old-age, survivors, and disability insurance system as percent of payroll,¹ high employment, and 1959 level earnings assumptions, 1970–2050*

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermediate cost estimate ²
Old-age and survivors insurance benefits-			
1970.....	7.03	7.37	7.20
1980.....	7.78	8.78	8.27
1990.....	7.96	10.02	8.94
2000.....	7.15	10.12	8.51
2025.....	8.04	13.30	10.22
2050.....	10.19	15.18	12.13
Level-premium cost ³	7.71	10.08	8.79
Disability insurance benefits			
1970.....	0.40	0.65	0.52
1980.....	.41	.72	.56
1990.....	.39	.71	.54
2000.....	.39	.74	.55
2025.....	.45	.82	.60
2050.....	.49	.85	.63
Level-premium cost ³42	.73	.56

¹ Taking into account the lower contribution rate for the self-employed, as compared with the combined employer-employee rate.

² Based on the average of the dollar costs under the low-cost and high-cost estimates.

³ Level-premium contribution rate, at 3.02 percent interest rate, for benefits after 1961, taking into account interest on the trust fund on Dec. 31, 1961, future administrative expenses, the railroad retirement financial interchange provisions, and the lower contribution rates payable by the self-employed.

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TABLE B.—Estimated progress of old-age and survivors insurance trust fund, high employment and 1959 level earnings assumption, equivalent 3.02 percent interest basis ¹

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Financial inter-change ²	Interest on fund	Fund at end of year ³
Actual data						
1951.....	\$3,367	\$1,885	\$81	-----	\$417	\$15,540
1952.....	3,819	2,194	88	-----	365	17,442
1953.....	3,945	3,006	88	-----	414	18,707
1954.....	5,163	3,670	92	-----	468	20,576
1955.....	5,713	4,968	119	-----	461	21,663
1956.....	6,172	5,715	132	-----	531	22,519
1957.....	6,825	7,347	⁴ 162	-----	557	22,393
1958.....	7,566	8,327	⁴ 194	-\$124	552	21,864
1959.....	8,052	9,842	184	-282	532	20,141
1960.....	10,866	10,677	203	-318	516	20,324
Low-cost estimate						
1970.....	\$20,640	\$16,588	\$230	-\$100	\$1,384	\$44,311
1980.....	24,509	21,790	250	41	2,774	95,876
1990.....	29,235	26,626	292	126	4,524	155,539
2000.....	35,050	28,644	332	126	7,460	257,577
2025.....	47,478	43,665	472	126	24,285	830,158
High-cost estimate						
1970.....	\$20,527	\$17,306	\$260	-\$220	\$1,123	\$35,812
1980.....	23,492	23,591	290	-39	1,847	62,779
1990.....	26,502	30,352	337	46	1,685	55,409
2000.....	29,721	34,408	379	46	604	18,089
2025.....	33,594	51,091	498	46	(⁵)	(⁵)
Intermediate-cost estimate						
1970.....	\$20,583	\$16,945	\$245	-\$160	\$1,253	\$40,064
1980.....	24,000	22,688	270	1	2,311	79,346
1990.....	27,869	28,489	315	86	3,106	105,517
2000.....	32,386	31,525	356	86	4,030	137,779
2025.....	40,536	47,376	485	86	8,071	271,717

¹ An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate, when averaged over a long period of time.

² A positive figure indicates payment to the trust fund from the railroad retirement account; a negative figure indicates the reverse.

³ Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to \$377 for 1953, \$284 for 1954, and \$163 for 1955, \$60 for 1956, and nothing for 1957 and thereafter.

⁴ These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and, likewise, the figure for 1959 is too low).

⁵ Fund exhausted in 2004.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

TABLE C.—Estimated progress of disability insurance trust fund, high employment and 1959 level earnings assumptions, equivalent 3.02 percent interest basis ¹

[In millions]					
Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Actual data					
1957-----	\$702	\$57	² \$3	\$7	\$649
1958-----	966	249	² 12	25	1,379
1959-----	912	457	50	41	1,825
1960-----	1,015	568	36	53	2,289
Low-cost estimate					
1970-----	\$1,180	\$934	\$51	\$180	\$5,622
1980-----	1,401	1,160	58	285	9,805
1990-----	1,671	1,302	64	464	15,986
2000-----	2,004	1,573	78	743	25,537
2025-----	2,714	2,456	115	1,819	62,109
High-cost estimate					
1970-----	\$1,174	\$1,525	\$55	\$42	\$1,089
1980-----	1,343	1,943	66	(3)	(3)
1990-----	1,515	2,157	71	(3)	(3)
2000-----	1,699	2,522	82	(3)	(3)
2025-----	1,921	3,148	97	(3)	(3)
Intermediate-cost estimate					
1970-----	\$1,177	\$1,229	\$53	\$111	\$3,354
1980-----	1,372	1,550	62	75	2,438
1990-----	1,593	1,730	68	19	557
2000-----	1,852	2,048	80	(4)	(4)
2025-----	2,318	2,802	106	(4)	(4)

¹ An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate, when averaged over a long period of time.

² These figures are artificially low because of the method of reimbursements between the trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

³ Fund exhausted in 1973.

⁴ Fund exhausted in 1993.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service and transfers to or from the railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

Annual benefit payments as a percentage of payroll are less than the scheduled tax rates in the early future years (with a few exceptions), but—except under the low-cost disability estimate—eventually rise to well above the ultimate scheduled combined employer-employee tax rate of 8¾ percent for old-age and survivors insurance and one-half percent for disability insurance. To measure the extent to which the financing arrangements of the system result in a surplus or deficiency, a level rate equivalent to the actual increasing contribution rates has been computed, taking into account future interest. The level-premium equivalent of contributions minus the level-premium equivalent of benefit and administrative costs, after making allowance for the interest-earning effect of the existing trust fund, gives the amount by which the contribution rate in all years would have to be changed to put the system in exact long-range balance according to the estimate. A negative figure would indicate that an increase in the tax rate is needed to make the system self-supporting. However,

considering the variability of long-range cost estimates and certain elements of conservatism believed to be present in the estimates, small negative figures are not considered significant. The long-range balance of the system is shown by the following level-premium equivalent costs and contributions, in percentages of payroll, which are computed as of the beginning of calendar year 1962, at 3.02 percent interest (the estimated average rate corresponding to the revised method of determining the interest rate on special obligations issued to the trust funds under the provisions of the 1960 amendments.)

[In percent]

Item	Low cost	High cost	Intermediate cost
Old-age and survivors insurance			
Contributions ¹	8.56	8.53	8.55
Benefit cost ²	7.71	10.08	8.79
Net difference.....	.85	-1.55	-.24
Disability insurance			
Contributions ¹	0.50	0.50	0.50
Benefit cost ²42	.73	.56
Net difference.....	.08	-.23	-.06

¹ Based on adjusted payroll that reflects the lower contribution rate for the self-employed as compared with the combined employer-employee rate.

² Including adjustments (a) to reflect lower contribution rate for the self-employed as compared with the combined employer-employee rate, (b) for interest on existing trust fund, (c) for administrative expenses, and (d) for the railroad retirement financial interchange provisions.

The lack of actuarial balance of the old-age and survivors insurance system under the 1961 act (0.24 percent on the intermediate-cost basis) is the same as that shown for the 1960 act in the previous report, since the cost of the liberalized benefits under the 1961 act is met by the additional financing provided. The disability insurance system has a lack of actuarial balance of 0.06 percent of payroll, which also is the same as that shown for the 1960 act, since the disability changes made by the 1961 act are relatively small and involve certain counterbalancing cost factors. The combined old-age, survivors, and disability insurance system has an actuarial deficit of 0.30 percent of payroll, which is within the margin of variation possible in actuarial cost estimates, and which is about the same as has generally prevailed in the past when the system has been considered to be in substantial actuarial balance.

If the cost estimates had been based on a higher interest rate than 3.02 percent (which is somewhat above the current average being earned by the total investments of the trust funds, although considerably below the prevailing market rate of interest on long-term Government obligations, which was about 3⅞ percent in the last part of 1961), the lack of actuarial balance would have been considerably less than 0.30 percent of payroll. In fact, if an interest rate of 3½ percent had been hypothesized, the cost estimates would show no actuarial deficit.

If the experience exactly follows the assumptions, future computations would show a gradual increase in the actuarial lack of balance

under the high-cost or intermediate-cost estimate for both the old-age and survivors insurance system and the disability insurance system, while the actuarial surplus would increase under the low-cost estimate. The reason for this is that interest accumulations increase any deficit or surplus in the system. In the case of a surplus, the excess contributions actually earn interest, while a deficit grows because of the absence of the annual interest that would have been earned if the proper contributions had been paid. With continuing study of the emerging experience under the program, there will be ample time to make any changes in the tax rate or other changes that may be necessary to keep the system in actuarial balance.

It is important to note that these estimates are made on the assumption that earnings will remain at about the level prevailing in 1959. If earnings levels rise, as they have in the past, the benefits and the taxable earnings base under the program will undoubtedly be modified. If such changes are made concurrently and proportionately with changes in general earnings levels, and if the experience follows all the other assumptions, the future year-by-year costs of the system as a percentage of taxable payroll would be the same as those shown. However, the existing trust fund accumulated in the past, and its interest earnings, will represent a smaller proportion of the future taxable payrolls than if earnings were not to increase in future years. As a result, since interest earnings of the trust fund will play a relatively smaller role in the financing of the system, the "net" level-premium cost—taking into account benefit payments, administrative expenses, and interest on the existing trust fund—would be somewhat higher. If benefits were modified to reflect changes in earnings levels, not in full but rather only in part or with a timelag, a still different cost situation would develop. Again, the effect of such events can be observed in ample time to make any needed changes in the contribution schedule or any other changes to improve the actuarial balance of the system.

This analysis includes the benefits and contributions in respect to all persons anticipated to be covered in the future under present legislative provisions. The actuarial deficiency would be larger if account were taken only of (a) the benefits to be paid to workers who have been covered by the system in the past and to their dependents and survivors, (b) the future taxes to be paid by such workers, and (c) the existing trust funds. In a private insurance company it is necessary to set up reserves equal to all currently accrued liabilities, since the company cannot compel individuals to become new policyholders and must be in a position at any time to pay all benefits that will become payable with respect to its present and past policyholders, using only its present assets and the premiums to be paid by present policyholders. In analyzing the actuarial condition of a compulsory social insurance system that will continue indefinitely, the income and outgo with respect to new entrants should properly be included, thus obviating the need to set up reserves for all currently accrued liabilities.

A discussion of the assumptions under which these estimates have been made is presented in appendix I. The Division of the Actuary of the Social Security Administration is now preparing new long-range cost estimates, which include revision of assumed earnings to reflect levels prevailing in 1961 and revision of basic cost factors in view of experience and trends over past years (including more recent experi-

ence). Preliminary results indicate very little change in the overall actuarial balance of the system, compared to that shown in this report.

MEDIUM-RANGE COST ESTIMATES

The preceding sections have presented both short-range cost estimates (the next 5 years) and long-range cost estimates (many decades into the future) for the old-age, survivors, and disability insurance system. The 1957-58 Advisory Council on Social Security Financing, among its recommendations, suggested that a third type of actuarial cost estimate is desirable; namely, medium-range cost estimates for the next 15 to 20 years (see 19th Trustees Report). These estimates, it was suggested, should take into account possible variations in economic factors, such as earnings and employment levels, as well as in demographic developments. The long-range cost estimates encompass the latter factors but, for the reasons given previously, do not take into account changes in such economic factors as general business conditions and earnings levels.

In the 21st Trustees Report, for the first time, such medium-range estimates were presented for the system as it existed following the 1960 amendments. The estimates covered the period through 1975.¹ The medium-range estimates for the program as it is after the 1961 amendments are summarized in table D.

TABLE D.—*Estimated progress of trust funds, high employment, and increasing earnings assumptions, equivalent 3.02 percent interest rate basis*¹

[In millions]					
Calendar year	Contributions ²	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Old-age and survivors insurance trust fund					
1970.....	\$24,445	\$17,804	\$327	\$1,656	\$53,715
1975.....	28,335	20,801	402	2,868	99,557
1980.....	31,834	24,673	484	4,423	152,918
Disability insurance trust fund					
1970.....	\$1,404	\$1,376	\$83	\$82	\$2,587
1975.....	1,615	1,491	104	85	2,937
1980.....	1,807	1,692	130	97	3,403

¹ On the same interest rate basis as used to develop the progress of the trust funds in tables B and C.

² Includes (1) reimbursements for additional cost of benefits based on noncontributory credits for military service and (2) transfers to or from the railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

A detailed statement of the economic assumptions underlying the medium-range cost estimates to 1975 has been published.² Briefly, the assumptions through 1965 are those developed in connection with the short-range projections for the 1960 amendments. After 1965, it is assumed that there is an annual increase of 3 percent in the total

¹ For more details on these medium-range cost estimates, see "Actuarial Study No. 53," Social Security Administration, August 1961.

² See "Economic Assumptions Underlying the Medium-Range Projections of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, 1966-75," by Moses Lukaczer, Division of Program Research, Social Security Administration, August 1961.

earnings of each covered worker. Under a fixed maximum taxable earnings base, the average earnings on which contributions are collected and on which benefits are based will not rise at this assumed 3-percent annual rate; rather, the increase in average covered earnings is considerably smaller because of the dampening effect of the fixed base. This effect is well illustrated by the fact that in 1959, 80.7 percent of the total earnings of covered individuals was taxable, but that this proportion will probably drop to slightly less than 60 percent by 1975 if the earnings base remains unchanged.

The medium-range estimates, like the short-range and long-range estimates, assume no future changes in the law. However, over the period covered by the estimates, many changes will undoubtedly be made. In particular, if earnings levels rise, changes will almost certainly be made in benefit levels. The extent and timing of whatever changes are made in the law are, of course, unpredictable.

Both the medium-range and long-range cost estimates consider trends in the labor force participation rates (including increases in these rates among women and changes in these rates among persons aged 65 and over). The medium-range estimates take into consideration the business cycle conditions of the postwar type, in that their effect has been averaged out in the trend projected for the period after 1965.

The medium-range estimates of this report cover the period through 1980 and, for the period through 1966, are the same as the short-range estimates presented previously in this report.

The results of the medium-range cost estimates are presented in table D, which shows the estimated progress over the next 20 years of the old-age and survivors insurance trust fund and the disability insurance trust fund. The old-age and survivors insurance trust fund grows steadily through the period up to 1980—reaching about \$100 billion in 1975 and \$153 billion in 1980. It is interesting to note that, according to the intermediate-cost long-range estimate, which assumes level earnings, the balance in this trust fund at the end of 1980 is about \$79 billion (see table B), or \$74 billion lower than under the medium-range estimate, which assumes rising earnings; for 1970 the corresponding difference is \$14 billion.

It is also interesting to note that under the medium-range estimate the old-age and survivors insurance benefit disbursements in 1980 are 9 percent higher than under the long-range cost estimate, whereas the corresponding increase in the contributions is 33 percent. If the conditions assumed in the medium-range estimate actually eventuate, the actuarial balance of the system would, of course, be materially improved, but it is highly improbable that under such conditions there would be no legislation liberalizing the benefits of the program. If benefits are liberalized without provision being made for a corresponding increase in income to the system, through increased contribution rates or otherwise, the estimated size of the trust fund shown in table D would of course be smaller, beginning with the year in which the benefit liberalization took effect.

The disability insurance trust fund under the medium-range cost estimates grows only slowly throughout the period up to 1970, and then rises somewhat during the 1970's, reaching \$3.4 billion at the end of 1980. Of course, this estimated growth is subject to the same

qualification mentioned in the discussion of the progress of the old-age and survivors insurance trust fund, namely, that if benefits are liberalized without provision being made for a corresponding increase in income to the system, either through increased contribution rates or otherwise, the estimated size of the trust fund shown in table D would be smaller, beginning with the year in which the benefit liberalization took effect. It will be observed that the growth in this trust fund is shown to be somewhat smaller than in the previous report (no substantial charges were made in the disability benefit provisions by the 1961 amendments); the reason for this is a moderate upward adjustment in the estimate of benefit disbursements in the next few years of operations. In the later years of the period under consideration, the effect of the assumed rising earnings (in increasing contribution income much more rapidly than benefit outgo) more than offsets the long-term gradual rise in the number of beneficiaries.

CONCLUSION

Total assets of the old-age and survivors insurance trust fund increased by \$72 million during fiscal year 1961. Over the 5 years 1962-66 the fund is expected to increase substantially although, during the early part of this period, income of the fund will be less than outgo. Thus, the assets of the fund are expected to decline by about \$1,076 million in fiscal year 1962 and to remain about level in 1963. Beginning in 1964, the size of the fund will show substantial annual increases largely as a result of the scheduled rises in contribution rates. The disability insurance trust fund will continue to increase during the period ahead as aggregate income remains wholly sufficient to meet aggregate disbursements.

Relatively large margins of possible variation are inherent in long-range cost estimates. Such estimates are therefore the subject of continuing study and appraisal. Present long-range estimates show that the old-age, survivors, and disability insurance program is in close actuarial balance. In other words, the system will have sufficient income from contributions based on the tax schedule now in the law and from interest earned on investments to meet payments for benefits and administrative expenses for many years into the long-range future.

Under section 217(g) of the Social Security Act, as amended, the trust funds are to be reimbursed from general revenues for the additional costs (incurred after August 1950) of benefits based on non-contributory credits for military service performed at some time during the period from September 16, 1940, through December 31, 1956. However, no reimbursements have been made to date. The Board of Trustees therefore strongly recommends enactment of the first appropriation request of \$78.6 million, contained in the 1963 Budget of the United States as submitted to Congress in January 1962.